

## East Lindsey District Council – Q2 Finance Report 2023/24

### Section 1 - Finance Summary

- The forecast at the end of Quarter 2 shows a forecast underspend of £861k as at 30<sup>th</sup> September 2023.
- Specific and general reserves of the Council are £24.700m as at 30 September 2023.
- Capital spend at the end of Quarter 2 was £11.014m against a full year budget of £69.812m.
- The Council holds investments (including property funds and instant access accounts) of £107.843m as at 30 September 2023.
- The Council held borrowing of £20m as at 30 September 2023.

### Section 2 – Finance

Section 2.1	Key Financial Issues in Quarter 2 of 2023/24
Section 2.2	Revenue Budget
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#### Section 2.1 – Key Financial Issues in Quarter 2 of 2023/24

- The process of identifying efficiencies is underway and monitoring will continue throughout the year.
- Car Parks income is currently £269k underachieved against budget.
- The Council's 2023/24 budget for investment income is £3.271m. The outturn for investment income for 2023/24 is forecast to be £5.073m, a forecast overachievement of £1.802m. This will be reviewed throughout the year.
- There is additional income from the Garden Waste Service of £249k due to an increased uptake in the service.
- A legal cost provision for Kingfisher Caravan Park has been made of £50k funded by a contribution from the Legal reserve.
- Included within the forecasts for Quarter 2 is the assumption that the pay award would be 5% as budgeted. Since Quarter 2 forecasts were completed the final pay award has been agreed, being a rise of up to 9.42% for the lowest paid through to 3.88% for those on the highest bands. The impact of the increase in the pay award will be reflected in the forecasts for Quarter 3.

#### Inflation Table

Inflation	July (%)	Aug (%)	Sep (%)
CPI	6.8	6.7	6.7
RPI	9.0	9.1	8.9

## Section 2.2 – Revenue Budget

**Table 1** details the outturn by Assistant Director as at 30 September 2023 and shows a service underspend of £861k.

Table 1 – Net Spend by Assistant Director Area				
Assistant Director	Revised Budget 2023/24	Forecast Outturn Q2 2023/24	Variance (under spend)/over spend	Comments on main variances
Corporate Services	377	286	(91)	Variance is mainly due to underspends across staff costs (£46k) due to vacancies and IT Costs (£50k) and other minor variances.
Economic Growth	871	888	17	Slight overspend on forecast employee costs
Finance	5,117	5,561	444	Variance is due to the Council Tax Support Admin Grant and Family Annex Grant now being included in the final settlement therefore £198k pressure due to duplication and budget misalignment. There is a reduction in Housing Benefit Overpayment income of £70k and a net pressure of £28k relating to court related income. There has been an increase in bank charges of £23k. £46k misalignment on the budget for PSPS contract fee, £10k additional property insurance costs, additional External Audit fees £20k. £41k additional and other minor variances.
General Fund Assets	412	691	279	Car parking income is forecast to be £267k below budget due to reduced level of coastal visitor numbers over the summer. Kingfisher Park has £20k forecast overspend due to staffing . Pressures of £25k additional Depot costs, and Business Rates £37k which are not in the budget. These additional costs have been partially offset by forecast additional fees and charges income leases and licences (£62k) and additional rental income of (£24k).

Assistant Director	Revised Budget 2023/24	Forecast Outturn Q2 2023/24	Variance (under spend)/over spend	Comments on main variances
Governance	1,526	1,379	(147)	Variance is due to underspends across staffing as a result of staff vacancies.
Leisure & Culture	2,450	2,455	5	No major variances.
Neighbourhoods	5,161	5,063	(98)	Additional £199K of staffing costs as a result of sickness levels within the service which have been covered through unbudgeted agency costs and savings from vacant posts of (£54k). This is offset by additional garden waste income (£249k), bulky waste collection (£25k), (£23k) vehicle maintenance income all above budget.
Planning & Strategic Infrastructure	804	780	(24)	Variance mainly due to staff vacancies (£126k) which has been offset by forecast overspend in External contractors - £18k (area of Outstanding Natural Beauty subscription) and £83k of income budget misalignment due to not removing the budget for employee recharge costs for the Planning Function to other Local Authorities (BBC).
Regulatory	2,123	2,145	22	Income from Land Charges and Licensing has reduced by £26k. Other minor variances.
Wellbeing & Community Leadership	2,793	2,948	155	Additional staffing costs due to pay award, potential to fund from reserves.
Vacancy Efficiency Target	(660)	(660)	0	
<b>Sub Total – Assistant Directors – Net Costs</b>	<b>20,975</b>	<b>21,535</b>	<b>561</b>	

Assistant Director	Revised Budget 2023/24	Forecast Outturn Q2 2023/24	Variance (under spend)/over spend	Comments on main variances
Internal Drainage Boards and Parish Precepts	8,327	8,420	93	Budget error
Investment Income	(3,271)	(5,073)	(1,802)	Increased investment and interest rates
Cost of Borrowing	495	495	-	
Impairment Allowance	100	84	(16)	Variance is due to a decrease in Housing Benefit Overpayment bad debt which is offset against the increase in Council Tax Costs debt and Sundry debt.
Capital Expenditure Charged In Year	10,007	10,007	-	
Transfers to/(from) Earmarked Reserves	(1,439)	(1,439)	-	See Table 3
Efficiencies Requirement	(1,607)	(1,305)	303	Further efficiencies still to be identified
<b>Other Income and Expenditure</b>	12,611	11,189	(1,422)	
<b>General Fund Budget net costs</b>	33,586	32,724	(861)	
Funding:				
Council Tax	(11,005)	(11,005)	-	
Government Grants	(3,604)	(3,604)	-	
Business Rates	(18,977)	(18,977)	-	
<b>Total Budget - (Surplus)/Deficit</b>	-	<b>(861)</b>	(861)	

The 2023/24 budget included an efficiency target of £1.608m, efficiencies outturn so far are:

<b>Table 1a – Efficiency</b>	<b>Amount £'000</b>	<b>Comments</b>
Budget Adjustment	228	Saving from capitalisation of salaries within the Climate Change and Environment team
IDB Funding	927	Additional grant funding from Government
Budget Adjustment	150	Budget saving on Pension Strain
<b>Total</b>	<b>1,305</b>	
<b>Target</b>	<b>(1,608)</b>	
<b>Efficiencies still to be Identified</b>	<b>303</b>	

**Income**

The Council has several demand-led budget areas which are reliant on income for services provided. These are shown in **Table 2** below.

<b>Table 2 – Trading Income Budgets</b>				
<b>Income Area</b>	<b>Revised Budget</b>	<b>Forecast</b>	<b>Variance (above)/ below budget</b>	<b>Comments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Car Parking	(3,484)	(3,215)	269	Underachievement of income due to seasonal variances and reduced visitor numbers. Rest of the year expected to match profiled project
Kingfisher Caravan Park	(1,086)	(1,086)	0	Variance is due to timing of invoices which are raised at a certain point in the year. Expected to even out by end of the financial year to match the budget
Planning	(1,571)	(1,508)	63	Reduction in activity currently but expected to pick up across the remainder of the year
Licensing	(333)	(316)	17	Underachievement of animal welfare licence income, estimate to be rebased on current usage figures
Markets	(100)	(100)	0	Market income is broadly on target however future income may reduce due to inclement weather
Land Charges	(121)	(111)	10	Forecast based on 22/23 levels, currently underachieving following downturn in Housing market. Will review position during Q3
Building Control	(445)	(445)	0	Income slightly below profile however anticipated to be on target. Fees may be increased mid-year.
Commercial Rents	(1,909)	(1,949)	(40)	Variance is due to the timing of invoices (which are raised on an annual basis)
Green Waste	(1,311)	(1,560)	(249)	Surplus Green Waste income due to an increase in users.
<b>TOTAL</b>	<b>(10,360)</b>	<b>(10,291)</b>	<b>(69)</b>	

## Section 2.3 – Reserves and Capital Budget

### 2.3.1 - Specific and General Reserves

As at 30 September 2023, specific reserves are £24.700m, after a net transfer from reserves of £1.44m to cover future revenue and capital expenditure. **Table 3** reflects the forecast position.

<b>Table 3 - Specific and General Reserves Balance Forecast Outturn</b>				
Reserve	Balances at 1st April 2023 £'000	Forecast Contributions To Reserves £'000	Forecast Use of Reserves £'000	Forecast Balances at 31st March 2024 £'000
	£'000	£'000	£'000	£'000
Investments Volatility Reserve	0	871		871
Housing Reserve	2,244			2,244
Repair and Replacement Reserve	1,035	354	335	1,054
Carbon Reduction Reserve	398			398
Insurance Reserve	827		60	767
Capital Reserve	4,817	378	225	4,970
Economic Growth	7,293	1,465	8,100	658
Service Transformation Reserve	1,025		194	831
Business Rates Volatility Reserve	1,402	4,086	1,000	4,488
Legal and Appeals Reserve	3,692		60	3,632
Technology Reserve	404	68	115	334
Wellbeing Reserve	463		5	458
COVID-19 Budget Pressures Smoothing Reserve	742			742
Climate Change	0			0
New Initiatives/Contingency Reserves		2,932	1,500	1,432
<b>Specific Reserves Total</b>	<b>24,341</b>	<b>10,154</b>	<b>11,594</b>	<b>22,878</b>
General Fund	1,822	0	0	1,822
<b>Total</b>	<b>26,163</b>	<b>10,154</b>	<b>11,594</b>	<b>24,700</b>

Please note the following reserve movements expected to take place this financial year:

- Repairs and Replacement
  - Additions to – contributions from services paying back into the reserve where savings have been made and Solar PV FIT income.
  - Use of reserve – funding for capital project in relation to Waste Vehicle replacement and some additional one-off expenditure items.
  - Use of reserve to offset additional vehicle maintenance costs due to extending the life of the vehicles.
- Capital Reserve

- Additions to – New Homes Bonus
- Use of reserve – for the capital projects: Towns Fund Mablethorpe High Street and Skegness Foreshore.
- Technology Reserve
  - Additions to – from previous savings in IT budget (5 years at £68k) and other service contributions.
  - Use of Reserve – IT projects in the Capital Programme
- Economic Growth
  - Additions to– benefit of Business Rates pooling and leisure investment payback.
  - Use of Reserve– Economic Development spend where grant received in previous years, Towns Fund Leisure and Learning, Council contribution to the HUB and Towns Fund contingency.
- Business Rates Volatility reserve
  - Large business rate hereditament added to listing late in budget setting process.
- Legal and Appeals reserve
  - Use of reserve to fund Kingfisher Park legal costs.
- Service Transformation reserve
  - Use of reserve to fund election costs.
  - Use of reserve to fund Hub relocation costs.



## Section 2.3 – Q2 Capital budget report

This section covers:

- Revisions to the Capital Programme
- Progress against the 2023/24 approved capital programme and the anticipated outturn
- Funding of the Capital Programme

Table 4 – 2023/24 Capital Programme and Q2 Forecast Outturn							
Scheme	Approved Budget 2023/24	22/23 Slippage/ accelerated spend (-)	Changes to approved budget	Revised 23/24	Actual September 23	Forecast Outturn 2023/24	Variance (under)/over
	£000	£000	£000	£000	£000	£000	£000
<b>Non-Towns Fund Projects</b>							
Disabled Facilities Grants	2,039	-	-	2,039	849	2,039	-
Community Housing Fund	653	-	-	653	-	5	(648)
Capitalised Planned Enhancements	262	90	-	352	-	352	-
Car Park Resurfacing	300	130	-	430	-	430	-
Public Sector Hub	186	-86	-	100	51	100	-
Kingfisher Enhancement	104	-	-	104	13	104	-
3G Football Pitch Project	171	-	-	171	11	171	-
Pride in East Lindsey	46	-46	-	-	-	-	-
Changing Places Toilets	300	-	-	300	33	300	-
Environmental Services: Vehicle Requirements	719	-	-	719	62	719	-
PSPS Investment	181	-	-	181	-	181	-
Case Management System	78	-	-	78	2	78	-
IT for Hub	122	-	-	122	80	122	-
IT Investment	235	-	-	235	121	235	-
IT Infrastructure Refresh Projects (Laptop, mobile etc)	209	-	-	209	-	209	-
Green Homes Grant	1,791	-	-	1,791	41	1,791	-
Climate Change Projects	11,071	-	-	11,071	3,123	11,071	-
Decarbonisation of Assets	1,500	-	-	1,500	-	1,500	-
Local Energy Advice Demonstrator <sup>1</sup>	145	-	-	145	-	145	-
District EV Charging Points	153	-	-	153	-	153	-
Cultural Development Fund – Phase 2	94	-	-	94	-	94	-
Cultural Development Fund – Pier Transformation	440	-	-	440	-	440	-
<b>Total Non-Towns Fund Projects</b>	<b>20,811</b>	<b>88</b>		<b>20,899</b>	<b>4,402</b>	<b>20,251</b>	<b>(648)</b>

Table 4 – 2023/24 Capital Programme and Q2 Forecast Outturn							
Scheme	Approved Budget 2023/24 £000	22/23 Slippage/ accelerated spend (-) £000	Changes to approved budget £000	Revised 23/24 £000	Actual September 23 £000	Forecast Outturn 2023/24 £000	Variance (under)/over £000
<b>Towns Fund Projects</b>							
Towns Fund - Mablethorpe Leisure and Learning Hub	10,481	-	-	10,481	4,413	4,610	(5,871)
Towns Fund - Sutton on Sea Colonnade	6,474	-	-	6,474	282	2,600	(3,874)
Towns Fund - Skegness Foreshore	2,861	103		2,964	22	450	(2,514)
Towns Fund - Skegness Railway Station	2,686	-	-	2,686	38	1,320	(1,366)
Towns Fund - Skegness Town Centre Transformation	643	-	-	643	215	370	(273)
Towns Fund - Skegness Learning Campus	8,072	-	-	8,072	-	1,314	(6,758)
Towns Fund - Skegness Cultural	1,226	-	-	1,226	-	150	(1,076)
Towns Fund - Skegness Multi-User Trail	223	-	-	223	-	-	(223)
Towns Fund - Mablethorpe Campus for Future Living	4,975	(104)	-	4,871	1,595	5,400	529
Towns Fund - Mablethorpe Sandilands	1,980	-	-	1,980	27	410	(1,570)
Towns Fund - Mablethorpe Mobi hub	275	-	-	275	15	60	(215)
Towns Fund - Mablethorpe High Street	464	-	-	464	8	150	(314)
Town Fund – Contingency this has been allocated	3,500	-	-	3,500	-	-	(3,500)
<b>Total Towns Fund</b>	<b>43,860</b>	<b>(1)</b>		<b>43,859</b>	<b>6,615</b>	<b>16,834</b>	<b>(27,025)</b>
<b>UKSPF &amp; LUF</b>							
UKSPF	323	-	404	727	10	727	-
UKSPF - RP	800	-	-	800	-	800	-
<b>Total UKSPF</b>	<b>1,123</b>	<b>-</b>	<b>404</b>	<b>1,527</b>	<b>10</b>	<b>1,527</b>	<b>-</b>
LUF : Spilsby Sessions House	1,337	-	-	1,337	-	1,337	-
LUF : Alford Manor House	1,092	-	-	1,092	-	1,092	-
LUF : Alford Windmill	1,098	-	-	1,098	-	1,098	-
<b>Total LUF</b>	<b>3,527</b>	<b>-</b>	<b>-</b>	<b>3,527</b>	<b>-</b>	<b>3,527</b>	<b>-</b>
<b>Grand Total – All Projects</b>	<b>69,321</b>	<b>87</b>	<b>404</b>	<b>69,812</b>	<b>11,027</b>	<b>42,139</b>	<b>(27,673)</b>

The revised capital budget as at Q2 is £69.812m, derived from the combination of the 2023/24 approved budget of £69,176m, 2022/23 slippage and accelerated spend updates of £0.087m, and other changes to approved budgets of £0.404m shown in Table 4a.

The Town's Fund projects represent most of the total revised capital budget for 2023-24 at £43.859m (63%). The other projects make up £25.953m (37%) of total revised capital budget.

The overall expenditure forecast as at Q2 is showing an underspend of £27.673m.

#### Changes to approved capital budget – Table 4a

The changes to the approved budget total £404k as detailed below:

Project Description	Amount £'000	Approval
UKSPF – increased budget to bring it in line with the funding received	404	
Total	404	

#### Progress against approved budgets

- **Towns Fund - Mablethorpe Leisure and Learning Hub** – Project now well underway the Hub will see a new 3,000 sqm centre replacing the existing Station Sports Centre with a swimming pool, gymnasium, and other facilities available.
- **Towns Fund - Skegness Learning Campus** - Project delayed, initial tenders were over budget, value engineering was necessary. Planned start on site 8 January 2024
- **Towns Fund - Sutton on Sea Colonnade** - Project delayed, initial tenders were over budget, value engineering was necessary.
- **Towns Fund - Skegness Cultural** - Project delayed. Project to run in conjunction with Cultural Development Funding. Works will take place in 2 phases.
- **Towns Fund - Mablethorpe Sandilands** - Project delayed, initial tenders were over budget, value engineering necessary. Delays also due to nesting birds has delayed the landscaping part.
- **Towns Fund - Skegness Railway Station** - A delay in the proposed contract programme with start on site October 2023. Completes October 2024.
- **Towns Fund - Mablethorpe Campus for Future Living** - Project start delayed with Value Engineering required.
- **Towns Fund - Skegness Multiuser Trail** - Complete
- **Towns Fund - Mablethorpe Mobi hub** - Project delayed.
- **Towns Fund - Skegness Town Centre Transformation** - Project expenditure greater than original TF Profile due to good progress on the Tower Gardens element. Expenditure profile to balance in subsequent years.
- **Towns Fund - Skegness Police Training Centre** - Complete - within budget.
- **Members Kit refresh** – Current forecast is an underspend of £25k.
- All other projects are forecast to spend within the 23-24 budgets.

**Funding**

All Projects	Approved Budget 2023/24	Revised Budget 2023/24	Full year forecast	Variance
	£000	£000	£000	£000
Capital Reserve	(930)	(1,064)	(1,064)	-
External Grants	(53,953)	(57,275)	(32,415)	24,860
Other Reserve - Economic Growth	(8,100)	(8,100)	(5,287)	2,813
Other Reserve - Technology	(325)	(325)	(325)	-
Other Reserve - Repair & Replacement	(936)	(890)	(890)	-
Other Reserve - New Initiative/Contingency Reserve	(1,500)	(1,500)	(1,500)	-
Internal Borrowing	(658)	(658)	(658)	-
<b>Totals</b>	<b>(66,402)</b>	<b>(69,812)</b>	<b>(42,139)</b>	<b>27,673</b>

**Capital Financing**

The current Capital Programme is financed from reserves and external borrowing in line with the Capital Strategy.

**Table 5** indicates the forecast capital resources available to the Council at the end of 2023/24. The estimated position for the following year is also provided.

Please note that table 5 is based on a provisional outturn position for 2022/23.

Table 5 – Capital Resources			
	2022/23	2023/24	2024/25
	£'000	£'000	£'000
Capital Resources available at start of each year	9,769	11,767	9,837
Capital Investment (estimate in future years)	(16,666)	(42,859)	(19,474)
Additional Sources of Finance			
- New Capital Receipts (estimate in future years)	1,250	-	-
- Funding from other reserves and internal borrowing	2,521	8,060	500
- External Grants	11,547	36,611	17,595
- Revenue Contributions	-	-	-
- Internal borrowing	-	658	548
- Budgeted contributions to capital reserve	4,693	1,672	831
- Transfer from Capital Reserve to support ongoing projects	(1,347)	(1,072)	(831)
<b>Estimated Capital Resources at end of each year</b>	<b>11,767</b>	<b>9,837</b>	<b>9,006</b>

## Section 2.4 – Treasury Update

### Investments on 30 September 2023

During the financial year, the Council has made investments in line with the agreed Treasury Management Strategy.

**Table 6** details the cash investments held by the Council on 30 September 2023 (excluding accrued interest). The peaks and troughs in cash flow are managed daily. The Council collects money on behalf of other organisations which are paid out at future dates (e.g., Council Tax and Business Rates). The value of investments held at any point includes money held on behalf of these other organisations and does not represent the value of ELDC's own resources alone.

Table 6 - Cash Investments on 30 September 2023

Financial Institution	Country	Amount (£)	Start Date	Maturity Date	Fixed/Variable	Yield (%)
Barclays Current A/C Current Account	UK	85,396	N/A	Instant Access	N/A	0.00%
Barclays Bank	UK	2,278,591	N/A	Instant Access	Variable	4.45%
Handelsbanken Plc	Sweden	6,437	N/A	Instant Access	Variable	4.45%
CCLA Money Market Fund	Various	7,500,000	N/A	Instant Access	Variable	5.20%
Lloyds Bank	UK	5,000,000	25/04/23	25/10/23	Fixed	4.92%
National Westminster Bank	UK	5,000,000	09/11/22	09/11/23	Fixed	4.40%
Close Brothers	UK	5,000,000	24/05/23	24/11/23	Fixed	5.00%
Toronto Dominion Bank	Canada	5,000,000	22/12/22	21/12/23	Fixed	4.85%
Credit Agricole	France	5,000,000	11/05/23	12/02/24	Fixed	5.11%
Australia & New Zealand Bank	Australia	5,000,000	16/05/23	16/02/24	Fixed	5.02%
Skandinaviska Enskilda Banken	Sweden	5,000,000	14/04/23	12/04/24	Fixed	5.04%
Credit Industriel et Commercial	France	5,000,000	26/04/23	25/04/24	Fixed	5.30%
DZ Bank	Germany	5,000,000	16/05/23	14/05/24	Fixed	5.12%
National Australia Bank	Australia	5,000,000	27/06/23	24/05/24	Fixed	6.35%
Rabobank	Netherlands	5,000,000	02/06/23	31/05/24	Fixed	5.63%
Bank of Montreal	Canada	5,000,000	09/06/23	07/06/24	Fixed	5.72%
UBS	Switzerland	5,000,000	13/07/23	12/07/24	Fixed	6.69%
DNB Bank ASA	Norway	5,000,000	31/08/23	30/08/24	Fixed	6.18%
<b>TOTAL</b>		<b>79,870,424</b>				

**Invest EL Loans**

In addition to the above loans the Council has issued loans to Invest EL as follows:

<b>Loan</b>	<b>Amount</b>	<b>Start Date</b>	<b>Maturity Date</b>	<b>Yield</b>
Caravan Sales Loan	272,600	01/07/20	In Perpetuity	4.00%
Caravan Hire Fleet Loan	268,952	01/07/20	01/07/30	4.00%
Caravan Hire Fleet Expansion Loan	720,000	15/02/21	14/02/41	4.00%
	<u>380,000</u>	07/02/22	07/02/42	4.00%
	1,100,000			
Housing Development Loan	500,000	30/06/21	30/06/23	4.00%
	<u>500,000</u>	16/11/21	16/11/23	4.00%
	1,000,000			
Cash Flow Loans	500,000	20/01/22	20/11/24	4.00%
	200,000	19/05/22	19/05/24	4.00%
	300,000	12/07/22	12/07/24	4.00%
	<u>250,000</u>	20/09/22	20/09/24	4.00%
	1,250,000			
<b>TOTAL</b>	<b>3,891,552</b>			

Interest earned on these loans in the current financial year to 30 September 2023 is £78,784.

## Property Fund Investments

The Council has purchased property fund units. **Table 7a** and **7b** below provides a breakdown in relation to the purchase of these units.

**Table 7a - Pooled Investment Fund (Revenue Expenditure)**

Fund	Date of Purchase	Net Asset Value at Date of Purchase £	Premium/ (Discount) on Purchase £	Premium/ (Discount) on Purchase %	Total Cost £
Hermes Property Unit Trust	24/06/16	1,621,443	48,643	3.00	1,670,086
	30/09/16	234,555	5,435	2.32	239,990
	26/01/17	556,376	33,547	6.03	589,923
	02/10/17	344,460	9,087	2.64	353,547
	28/11/17	248,899	5,686	2.28	254,585
	26/12/17	192,410	3,517	1.83	195,927
	26/04/19	694,860	1,033	0.15	695,893
	TOTAL	<b>3,893,003</b>	<b>106,948</b>	<b>2.75</b>	<b>3,999,951</b>

**Table 7b - Property Funds (Capital Expenditure)**

Fund	Date of Purchase	Net Asset Value at Date of Purchase £	Premium/ (Discount) on Purchase £	Premium/ (Discount) on Purchase %	Total Cost £
Schroder UK Real Estate Fund	07/07/16	2,021,637	(25,629)	(1.27)	1,996,008
	07/10/16	505,375	(6,373)	(1.26)	499,002
	01/12/17	1,478,726	18,280	1.24	1,497,006
	07/09/18	813,680	(5,659)	(0.70)	808,021
	TOTAL	<b>4,819,418</b>	<b>(19,381)</b>	<b>(0.40)</b>	<b>4,800,037</b>
Threadneedle Property Unit Trust	31/08/18	2,902,441	86,572	2.98	2,989,013
	28/09/18	483,966	16,116	3.33	500,082
	31/10/18	1,267,037	42,855	3.38	1,309,892
	TOTAL	<b>4,653,444</b>	<b>145,543</b>	<b>3.13</b>	<b>4,798,987</b>
BlackRock UK Property Fund	28/09/18	<b>4,734,550</b>	<b>65,482</b>	<b>1.38</b>	<b>4,800,032</b>
M&G Investments UK Property Fund (after repayments)	14/09/18	<b>776,221</b>	<b>105,707</b>	<b>2.25</b>	<b>881,928</b>
AEW UK Core Property Fund	31/10/18	<b>4,505,538</b>	<b>294,462</b>	<b>6.54</b>	<b>4,800,000</b>
<b>TOTAL</b>		<b>19,489,171</b>	<b>591,813</b>		<b>20,080,984</b>

**Table 8a and 8b** below provides the fair value information on the property fund investments on 30 September 2023 and performance information for the 2023/24 financial year.



**Table 8a - Pooled Investment Fund (Revenue Expenditure)**

Financial Institution	Purchase Cost (£)	Estimated Revenue Received 2023/24 (£)	Estimated Annual Distribution Yield 2023/24 (%)	Net Asset Value (£)	Total Gain/ (Loss) Since Purchase (£)	Total Gain/ (Loss) Since Purchase (%)	2023/24 Capital Gain/(Loss) Since 31/3/23 (£)	2023/24 Capital Gain/(Loss) Since 31/3/23 (%)	2023/24 Combined Annual Return (%)
Federated Hermes Property Unit Trust	3,999,951	80,221	3.60%	3,890,157	(109,795)	(2.74%)	(130,382)	(3.24%)	0.36%

At the year end the movement in fair value of the fund gets charged to the revenue account. There is currently a statutory override which has been extended to 31 March 2025 which allows for these movements in fair value on pooled investments funds to be reversed out through the MIRS so there is no bottom line impact.

**Table 8b - Property Funds (Capital Expenditure)**

Financial Institution	Purchase Cost (£)	Estimated Revenue Received 2023/24 (£)	Estimated Annualised Distribution Yield 2023/24 (%)	Net Asset Value (£)	Total Gain/ (Loss) Since Purchase (£)	Total Gain/ (Loss) Since Purchase (%)	2023/24 Capital Gain/(Loss) Since 31/3/23 (£)	2023/24 Capital Gain/(Loss) Since 31/3/23 (%)	2023/24 Combined Annual Return (%)
Schroder UK Real Estate Fund	4,800,037	90,522	3.86%	4,509,579	(290,458)	(6.05%)	(244,942)	(5.15%)	(1.29%)
Threadneedle Property Unit Trust	4,798,987	105,474	4.70%	4,105,716	(693,271)	(14.45%)	(51,939)	(1.25%)	3.45%
BlackRock UK Property Fund	4,800,032	78,274	3.02%	4,351,992	(448,040)	(9.33%)	(119,349)	(2.67%)	0.35%
M&G Investments UK Property Fund (after distribution payments)	881,928	37,355	N/A	979,691	97,763	N/A	(40,142)	N/A	N/A
AEW UK Core Property Fund	4,800,000	85,604	4.21%	4,176,995	(623,005)	(12.98%)	23,516	0.57%	4.78%
<b>TOTAL</b>	<b>20,080,984</b>	<b>397,229</b>		<b>18,123,973</b>	<b>(1,957,011)</b>		<b>(432,956)</b>		

The movement in fair value of the funds gets charged to the revenue account and reversed out through the MIRS to the capital adjustment account each year end so there is no bottom line impact.

### **Property Fund Dividends**

An analysis of dividend distributions received since the purchase of the property funds to 30 September 2023 can be found in **Table 9** below.

**Table 9 – Property Fund Dividend Information**

<b>Financial Institution</b>	<b>Actual Net Dividend Distributions Received Pre 2023/24</b>	<b>Original Budgeted Net Distribution 2023/24</b>	<b>Net Dividend Distributions Received 2023/24</b>	<b>Total Net Distributions Received Since Purchase</b>
Federated Hermes Property Unit Trust	858,931	71,988	80,221	939,152
Schroder UK Real Estate Fund	974,564	86,387	90,522	1,065,086
Threadneedle Property Unit Trust	898,132	86,369	105,474	1,003,606
BlackRock UK Property Fund	666,885	86,387	78,274	745,159
M&G Investments UK Property Fund (excluding liquidation distributions)	619,017	19,172	37,355	656,372
AEW UK Core Property Fund	879,676	86,387	85,604	965,280
<b>Total Revenue</b>	<b>4,897,205</b>	<b>436,690</b>	<b>477,450</b>	<b>5,374,655</b>

The M&G UK Property fund is liquidating its assets and therefore their fund valuation is reducing as repayments are made. M&G have now paid East Lindsey DC distribution payments totalling £3,918,072 as at 30 September 2023, from the asset sale proceeds.

### **Maturity Structure of Investments**

An analysis of the maturity structure of investments on 30 September 2023 can be found in **Table 10**.

**Table 10 - Maturity Structure of Investments on 30 September 2023.**

<b>Period to Maturity</b>	<b>Amount (£)</b>	<b>% of Portfolio</b>
Less than one week	9,870,424	9%
Less than one month	5,000,000	5%
One to three months	15,000,000	14%
Three to six months	10,000,000	9%
Six to nine months	30,000,000	28%
Nine months to a year	10,000,000	9%
InvestEL	3,891,552	4%
>12 Months	24,080,935	22%
<b>TOTAL</b>	<b>107,842,911</b>	<b>100%</b>

**Summary of Investment Income Received Against Budget and Forecast Outturn**

Table 11 below provides a comparison of investment income received and an estimate of the outturn position for the year against the original budget.

**Table 11 - Investment Income Received Against Budget and Forecast Outturn**

<b>Investment Type</b>	<b>2023/24 Profiled Q1 Budget</b>	<b>2023/24 Profiled Q1 Actual</b>	<b>2023/24 Annual Budget</b>	<b>2023/24 Projected Outturn</b>
Treasury Investments	1,000,000	1,842,488	2,000,000	3,794,078
Invest East Lindsey	98,810	78,784	197,620	156,828
<u>Property Funds</u>				
Gross Distributions	536,690	586,784	1,073,380	1,120,959
Less Management Fees	<u>(100,000)</u>	<u>(109,334)</u>	<u>(200,000)</u>	<u>(208,865)</u>
Net Distributions	436,690	477,450	873,380	912,094
<b>Total Net Income</b>	<b>1,535,500</b>	<b>2,398,722</b>	<b>3,071,000</b>	<b>4,863,000</b>

Treasury investments achieved an average rate of 4.84% (previously 4.42%) compared to the benchmark average 3-month Sterling Overnight Index Average (SONIA) rate of 5.02% (previously 4.65%). Invest East Lindsey loans achieved a rate of 4.00% and property fund investments achieved an average rate of 3.96% (previously 4.14%). The combined rate achieved on all investments was 4.60% (previously 4.34%).

The higher levels of investment income compared to the original budget is due to increased balances available for investment resulting from additional grant money being received and recent rises in interest rates on new investments.

The expected outturn has increased to £4.863m from £4.492m, an increase of £371k since Quarter 1. This is mainly due to revised information being received regarding the profiled spend of the Towns Fund and LUF capital expenditure projects. This gives an estimated surplus above budget of £1.772m.

### **External Borrowing**

On 30 September the Council had £20m of external borrowing for property funds as shown in **Table 12** below.

**Table 12 – External Borrowing**

<b>Entity</b>	<b>Amount (£)</b>	<b>Start Date</b>	<b>Maturity Date</b>	<b>Rate</b>
Public Works Loan Board	10,000,000	10/12/2018	10/12/2068	2.54%
Public Works Loan Board	10,000,000	13/12/2018	13/12/2068	2.39%
<b>TOTAL</b>	<b>20,000,000</b>			<b>2.465% Average</b>

Fixed interest costs for 2023/24 on this borrowing are £493K.

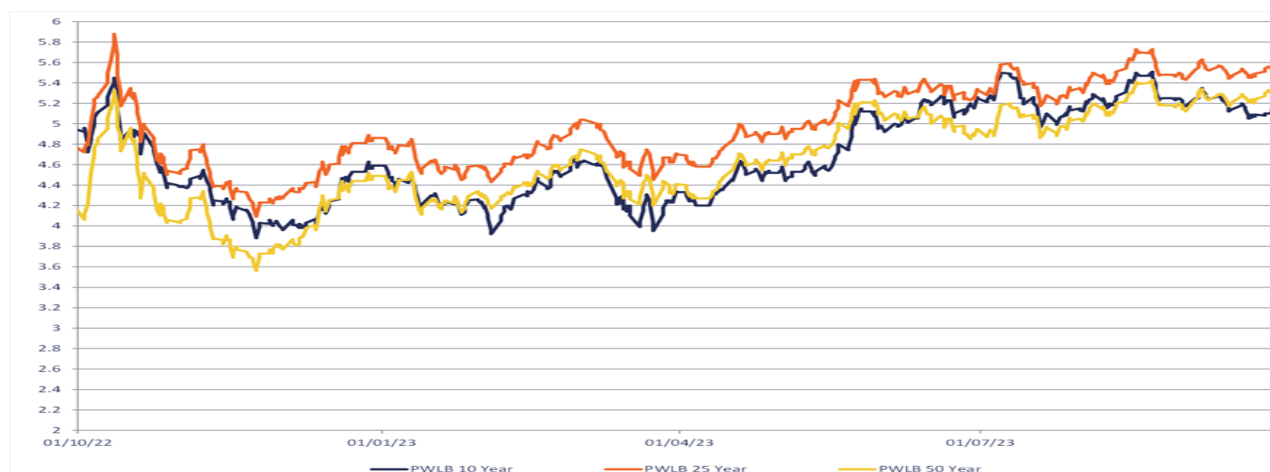
As at the 30 September 2023, the premature repayment discount on these loans was £7,991,032 compared with £6,653,330 at Quarter 1. Under accounting rules, this discount would need to be credited to revenue over a period of 10 years.

On 9 October 2023 the Council prematurely repaid the £20m of external borrowing to the Public Works Loan Board. As this transaction falls into Quarter 3, the financial implications of this decision will be reflected in the Quarter 3 Treasury Update Report and Q3 Finance Report.

### **Public Works Loan Board (PWLB) Borrowing Rates**

During the start of the financial year PWLB borrowing rates had been on a gradual rising trend due to stubborn inflation levels and expectations for further base rate rises. These rates stabilised during June and July 2023 when inflation levels slowly started falling but have increased again during late September 2023. The 50 year PWLB certainty rate was 5.43% on 30 September 2023 (4.95% as at Quarter 1).

### **Graph 1 – PWLB Borrowing Rates**



## Section 2.5 – Debt Collection

A review of debts is undertaken every month, and monitoring is reported against targets. In line with the new financial procedure limits there are no debts in excess of £50,000 requiring Executive Board approval for write off. Debts below this level have been submitted to the s151 Officer and Portfolio Holder for write off.

An analysis of the sundry debts the Council held as at 30<sup>th</sup> September 2023 is shown in Table 8 below:

Table 8 – Sundry Debt Analysis							
0-30 days	31-60 days	61-90 days	91-120 days	121-183 days	184-365 days	Over 365 days	Total
£	£	£	£	£	£	£	£
800,663	21,630	798,210	508,781	249,167	463,949	132,247	2,974,647

Note: This does not include details of invoice amounts (£99,160) that are not yet due.

## 2.6 Business Rates and Council Tax Collection

### Business Rates – Quarter 2 In-Year Collection

The annual collectable debit at 30 September was £36.4m with a net collection rate of 58.23% (60.18% at 30 September 2022, however this is not a reliable performance comparison due to the differences between financial years, including revaluation and rate relief schemes).

### Council Tax Support Scheme (CTS)

Following the statutory annual review during 2022/23, the 2023/24 scheme remains unchanged from the previous year, allowing for national up-ratings. Up rating of allowances has ensured that the scheme provided benefit to the most vulnerable and low-income households.

### **Council Tax – Quarter 2 In-Year Collection**

The annual collectable debit at 30 September 2023 was £96.3m with a net collection rate of 53.51% (54.63% at 30 September 2022).

There is uncertainty over the ongoing impact on collection and recovery because of the knock-on effect of the COVID-19 pandemic, and now the cost of living and energy cost crises. In recognition, we continue to remain prudent in setting the bad debt provision in this area.

A programme of statutory recovery activity is in place throughout the year.